

### **REMARKS**

Claims 90-134 are pending in the present application. By this Reply, Applicants have amended claims 90, 93, 95, 99, 104, 108, 111, 120, 122, 124 and 129-131, and have canceled claim 134. Accordingly, claims 90-133 are at issue.

The Examiner rejected claims 93, 99, 104, 108, 111, 120, 122, 124, 129, 130 and 134 under 35 U.S.C. §112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Specifically, the Examiner asserts that the term “substantially” is indefinite. The Examiner also rejected claims 90-119 and 124-134 under 35 U.S.C. §102(b) as being anticipated by U.S. Patent No. 5,101,353 issued to Lupien (“Lupien”), and claims 120-123 under 35 U.S.C. §103(a) as being unpatentable over Lupien in view of U.S. Patent No. 5,132,899 issued to Fox (“Fox”). Applicants respectfully traverse these rejections.

In view of the Amendments and Remarks herein, Applicants believe the present application is in condition for allowance and respectfully request notice of same.

#### **Rejection Under 35 U.S.C. §112, ¶2**

The Examiner rejected claims 93, 99, 104, 108, 111, 120, 122, 124, 129, 130 and 134 under 35 U.S.C. §112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which Applicants regard as the invention because of the term “substantially” in those claims. Applicants have amended the rejected claims to remove the term “substantially.” Accordingly, Applicants respectfully assert that this rejection has been mooted.

#### **Rejection Under 35 U.S.C. §102(b)**

The Examiner rejected claims 90-119 and 124-134 under 35 U.S.C. §102(b) as being anticipated by Lupien. Applicants respectfully traverse this rejection.

Referring to U.S. Patent No. 5,101,353, Lupien discloses “an automated securities trading and portfolio management system for use by investment managers.” (Col. 2, lines 60-62.) The portfolio of Lupien comprises both cash and a diverse inventory of securities. (Col. 3, lines 46-

48, and Abstract.) While the system of Lupien contains various portfolio balancing controls based on a client's instructions to control the buying and selling of securities in the portfolio, the entire purpose and function of the system of Lupien is to buy and sell individual securities within the portfolio. (Col. 3, lines 1-45.) For example, Lupien discloses:

“it is a further objective of this invention to provide an incremental return to holders of broadly diversified portfolios using the system without altering the pattern of returns from the client's original portfolio. This objective is achieved by trading securities which would otherwise remain “idle” in a portfolio in an environment that provides anonymity during trading as well as small changes in overall market exposure through offsetting positions in many individual securities.” (Col. 4, lines 45-53.)

This is performed by the system disclosed in Lupien by initially forming an analysis of each individual security in the portfolio according to a customized criteria established from each individual client. (Col. 10, lines 9-11.) The resultant analysis is then used:

“to generate buy and sell orders and/or sets of orders at specific prices for transmission by the system both internally to other clients and externally to outside broker dealers, exchanges and/or others for each security in the clients portfolio as to which the present invention deems it appropriate. (Col. 10, lines 24-30)(emphasis added.)

Accordingly, it is clear that Lupien is directed solely to the development and implementation of a system for identifying and trading individual securities that are a part of an overall client portfolio.

Unlike Lupien, Applicants' invention as recited in claim 90 is directed to an “exchange traded fund.” The term “exchange traded fund” is a term of art in the financial industry and one example is an “investment company whose investment objective is to achieve the same return as a particular market index.” (See Exhibit A hereto: Exchange-Traded Funds (ETF's) – U.S. Securities and Exchange Commission.) The SEC has stated that an ETF “is similar to an index fund in that it will primarily invest in the securities of companies that are included in a selected market index.” (See Exhibit A.) Referring to claim 90, this claim recites an exchange traded fund that comprises an actively managed portfolio, wherein the actively managed portfolio comprises securities. In claim 90, the ETF is a security made up of an actively managed portfolio that satisfy an investment objective. Claim 90 further recites that a plurality of shares

of the exchange traded fund itself (i.e., the security of the exchange traded fund) are capable of being listed and traded on an exchange, and the price that the outstanding shares of the ETF are being traded on the exchange is adapted to be displayed in real time on an electronic system. Accordingly, the exchange traded fund is a security that comprises a portfolio of securities (i.e., it tracks a portfolio of securities), and shares of the ETF security are capable of being listed and traded on an exchange at a price that is displayed electronically in real time.

Applicants respectfully assert that Lupien does not disclose such a fund. Instead, as described above, Lupien teaches and discloses the opposite - trading various individual securities that are a part of a client's portfolio, not the trading of one security. In order for a reference to act as a § 102 bar to patentability, the reference must teach each and every element of the claimed invention. Kalman v. Kimberly-Clark Corp., 713 F.2d 760, 771 (Fed. Cir. 1983). As shown above, Applicants respectfully submit that Lupien does not disclose each and every element of claim 90, and as such claim 90 is not anticipated by Lupien. More specifically, Lupien does not even disclose a mechanism that is remotely similar to Applicants' invention. For these reasons, Applicants respectfully assert that claim 90 is patentable as presented.

Claim 95:

Independent claim 95 recites a method whereby shares of an actively managed fund are listed and provided on an exchange for trading at a price corresponding to the price of the securities within the portfolio. The portfolio of the fund refers to securities that satisfy an investment objective and are a subset of an identified group. However, unlike Lupien, individual securities are not traded. Rather, shares of the fund, the fund generally being a compilation of securities, are priced and traded. Accordingly, Applicants respectfully assert that the recitation of claim 95, like claim 90, is clearly not anticipated or rendered obvious by Lupien because Lupien merely discloses a conventional trading mechanism, and not the ability to trade a security that is a fund. Thus, claim 95, and all claims depending therefrom, are patentable as submitted.

Claim 101:

Independent claim 101 recites a method that utilizes shares that represent ownership of an actively managed exchange traded fund, where the fund comprises a portfolio of securities that satisfy an investment objective. In direct contradiction to Lupien, which merely discloses trading various securities that are a part of a portfolio, claim 101 recites trading shares that represent the entire actively managed exchange traded fund. Thus, Applicants respectfully assert that claim 101, and all claims depending therefrom, are patentable as submitted.

Claim 108:

Independent claim 108 recites a method whereby a variety of securities within a similar industry are placed into a group, and an exchange traded fund is created that has a number of outstanding shares that are comprised of the securities within the group. Claim 108 further recites that the shares are traded at a real time determined price highly correlating to the securities comprising the group (i.e., the price of the shares of the fund tracks the price of the securities in the group). Similar to the processes described above, this process is entirely distinct from that disclosed in Lupien. Lupien merely trades various securities that are a part of a portfolio, presumably at the price of the individual security. Conversely, the shares of claim 108 refers to shares that comprise the securities within the group, and thus are priced at a real time determined price highly correlating to the securities comprising the group, and not merely the individual security that is a part of the group as in Lupien. For these reasons, Applicants respectfully submit that claim 108, and all claims depending therefrom, are not anticipated, and are patentable over Lupien.

Claim 124:

Similar to independent claim 108, independent claim 124 recites a method whereby shares of an exchange traded fund are provided for trading on an exchange, and the price of the outstanding shares of the fund are displayed in real time. As explained with respect to claim 90, the exchange traded fund has a portfolio comprising a group of securities, and the group of securities is within a similar industry. Thus, unlike Lupien which trades individual securities of a portfolio, claim 124 recites a method for trading and displaying in real time the price of shares

of a fund that comprises the entire group of securities. For these reasons Applicants respectfully submit that claim 124, and all claims depending therefrom, are not anticipated, and are patentable over Lupien.

Claim 130:

Independent claim 130 is similar to claim 90, and recites an exchange traded security. The exchange traded security comprises a group of securities within a similar industry. The exchange traded security has outstanding shares that are capable of being listed and traded on an exchange at a real time determined price correlating to the securities within the group. Thus, similar to each independent claims above, unlike Lupien which discloses trading various individual securities that are a part of a client's portfolio, claim 130 recites shares of a security that are capable of being traded, wherein the shares of the security have a real time price correlating to the securities within the group. For these reasons, Applicants respectfully submit that claim 130, and all claims depending therefrom, are not anticipated, and are patentable over Lupien.

Rejection Under 35 U.S.C. §103(a)

The Examiner rejected claims 120-123 under 35 U.S.C. §102(b) as being unpatentable over Lupien in view of Fox. Applicants respectfully traverse this rejection.

First, as explained above, Lupien does not disclose a method of creating and trading shares of an exchange traded fund that is comprised of a plurality of securities within a similar industry. Instead, and completely unlike Applicants' invention, Lupien is directed solely to the development and implementation of a system for trading individual securities that are a part of an overall portfolio. Second, the addition of the Fox reference does not cure the deficiencies of Lupien. Fox is directed to data gathering and processing methodology "to produce a system whereby a list of stocks and a cash position is generated and purchased for investment and operating accounts." (Col. 1, lines 65-68.) The Examiner has merely utilized Fox for its disclosure that trusts exist. However, merely because Fox references trusts, it does not cure the fact that neither Lupien nor Fox in any way disclose, teach or suggest the claimed subject matter of Applicants' invention, including that of claims 120-123.

Independent claim 120 recites a method whereby a variety of securities within a similar industry are placed into a group, and an exchange traded trust is created that has a number of outstanding shares and that comprises securities within the group. Claim 120 further recites that the shares are traded at a real time determined price highly correlating to the securities comprising the group. Like the similar processes described above, this process is entirely distinct from that disclosed in Lupien and Fox. Fox merely discloses a method for integrating data from various databases (i.e., investment manager databases, government databases, and stock databases) and preparing cumulative reports. Lupien merely discloses trading various securities that are a part of a portfolio. However, claim 120 refers to developing and trading shares of an exchange traded trust, wherein the shares comprise the entire securities within the group. While claim 120 recites further distinguishing steps, as shown above, the basic underlying premise of claim 120 is not even remotely disclosed or suggested by Lupien or Fox. For these reasons Applicants respectfully submit that claim 120, and all claims depending therefrom, are not anticipated, and are patentable over Lupien in view of Fox.

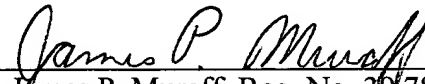
**CONCLUSION**

In view of the amendments made herein and the foregoing remarks, it is submitted this application is in condition for allowance. Such action is respectfully requested. Further, it is suggested that an interview with the Examiner may be extremely beneficial in expediting the prosecution of this application. Applicants will contact the Examiner to request an interview. Additionally, the Examiner is requested to contact the undersigned if the Examiner has any questions concerning this Response.

Respectfully submitted,

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